

Cheryl R. Winn
Attorney At Law

March 1, 2004

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

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**PUBLIC SERVICE
COMMISSION**

Re: Investigation Into the Propriety of, and Potential Safeguards for, the Provision of Local Exchange Service by GTE Communications Corporation and BellSouth BSE, Inc.
PSC 98-410

Dear Mr. Dorman:

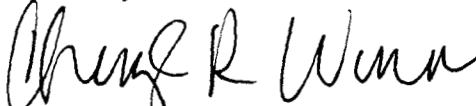
Enclosed are the original and ten copies of Schedule A consisting of the semi-annual report required of BellSouth BSE, Inc. in the Order dated August 31, 1999 in the above-captioned case.

In addition, annually BSE is required to provide a schedule showing the expenses directly incurred by, or allocated to, BSE from any other affiliate and the expenses associated with the services being provided our customers. This information is provided in Schedule B.

BellSouth BSE, Inc. is requesting that the information provided in Schedules A and B be classified as confidential pursuant to 807 KAR 5:001 Section 7. The confidentiality petition is also enclosed.

One proprietary and ten edited copies of this information are provided to the Commission. An edited copy is being provided to parties of record.

Sincerely,


Cheryl R. Winn

Enclosures

cc: Parties of Record

529091

601 West Chestnut Street, Room 407 • Louisville, KY 40203
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE)
PROPERTY OF, AND POTENTIAL)
SAFEGUARDS FOR, THE PROVISION)
OF LOCAL EXCHANGE SERVICE BY)
GTE COMMUNICATIONS)
CORPORATION)

CASE NO. 98-410

CONFIDENTIALITY PETITION
PURSUANT TO 807 KAR 5:001 SECTION 7

Petitioner, BellSouth BSE, Inc. ("BSE"), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), pursuant to KRS 61.878 and 807 KAR 5:001, §7, to classify as confidential the following described information:

Information highlighted with transparent ink in the Attachment filed in response to the Commission's order in the above-captioned case.

The Kentucky Open Records Act exempts certain commercial information from the public disclosure requirements of the Act. KRS 61.878 (1)(c)(1). To qualify for this commercial information exemption and, therefore, to keep the information confidential, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of the party seeking confidentiality if the information were openly disclosed. KRS 61.878 (1)(c)(1); 807 KAR 5:001, §7. The Commission has taken the position that the statute and

rules require the party to demonstrate actual competition and a likelihood of competitive injury if the information is disclosed.

In this filing, BSE is responding to the Commission's Order dated August 31, 1999 in Case No. 98-410 (the "Order"). In the Order, the Commission required BSE to file with the Commission a semi-annual report showing the number of customers migrating to BSE from BellSouth Telecommunications, Inc. ("BST"), the number of units or services that BSE purchases from BST and the price per unit. The Commission also required that BSE provide a schedule showing the expenses directly incurred by or allocated to BSE from any affiliate by cost category and the expenses associated with the services being provided to customers.

The number of customers that have migrated from BST to BSE as well as the number of units or services that BSE has purchased from BST would provide valuable proprietary and confidential information to BSE's competitors. This information would allow competitors to learn BSE's market share. In addition, by learning the number of units or services purchased by BSE from BST, it would allow competitors to determine the types of services that BSE sells to its customers as well as the mix of those services. These competitors, which include incumbent local exchange carriers ("ILECs") and competitive local exchange carriers ("CLECs") would thereby be given an unfair competitive advantage over BSE, as they would thereby learn BSE's business plans and sales strategies.

For similar reasons, the schedule of expenses incurred by, or allocated to, BSE from its affiliates would also provide valuable proprietary and confidential

information to its ILEC and CLEC competitors. This information, when combined with the price per unit that BSE pays for services and units purchased from BST, would allow its competitors to calculate accurately BSE's cost structure. This, in turn, would allow them to estimate closely BSE's pricing to its customers, thereby providing these competitors with the ability to under-price BSE.

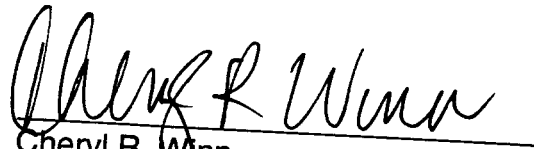
BSE recognizes that this information may be helpful to the Commission. However, to require that this information be divulged to BSE's competitors creates a substantial unfair disadvantage to BSE. In addition, the Commission should accord confidential treatment to this information for the following reasons:

- (1) The information as to which BSE is requesting confidential treatment is not known outside of BellSouth;
- (2) The information is not disseminated within BSE and is known only by those of BSE's employees who have a legitimate business need to know and act upon the information;
- (3) BSE seeks to preserve the confidentiality of this information through all appropriate means, including the maintenance of appropriate security at its offices;
- (4) The disclosure of this information would cause competitive injury to BSE in that it would provide BSE's competitors with sensitive financial data with respect to BSE's services;
- (5) By granting BSE's petition, there would be no damage to any public interest in disclosure. In fact, the public would be best

served by non-disclosure because competition would
thereby be promoted; and

For these reasons, the Commission should grant BSE's request for
confidential treatment of the revenue analysis for the information described
above.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Cheryl R. Winn", written over a horizontal line.

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COUNSEL FOR BELL SOUTH BSE, INC.

529070

BellSouth BSE, Inc.

Kentucky
SEMI-ANNUAL REPORT
(July 1, 2003 through December 31, 2003)

CASE NO. 98-410

July 1, 2003 – December 31, 2003

The number of customers migrating from BST to BSE

The revenues gained by BSE from such migration

As Of December 31, 2003 (* Includes Intrastate and Interstate circuits)

- The number of units or services that BSE purchases from BST
- * Price per unit

\$196.19

Report Submitted by:

Mario L. Soto
President
BellSouth BSE, Inc.
400 Perimeter Center Terrace, Suite 400
Atlanta, Georgia 30346
(678) 443-3937

EDITED

BellSouth BSE, Inc.

**ANNUAL REPORT
CASE NO. 98-410**

**2003 Annual Expenses Incurred by or Allocated to
BellSouth BSE, Inc. (BSE)**

Total Cost of Goods Sold in Kentucky

(Includes costs for migrated customers from BellSouth
Telecommunications as well as new customers added by BSE)

Annual Operating Expenses by Cost Category*:

Product Development
Product Management
Sales Support
Pricing
Provisioning, Maintenance & Repair
Billing
Administration
Other Operating Expenses
Total 2003 BellSouth BSE Operating Expenses

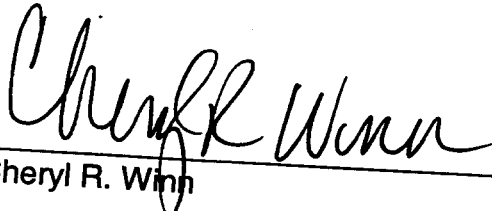
*These are total BellSouth BSE annual operating expenses for operations in all states and
are not specific to the Commonwealth of Kentucky.

Report submitted by:
Mario L. Soto
President
BellSouth BSE, Inc.
400 Perimeter Center Terrace, Suite 400
Atlanta, GA 30346
678-443-3937

EDITED

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 1st day of March 2004.


Cheryl R. Winn

SERVICE LIST - PSC 98-410

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